

SETTLEMENT AGREEMENT

This Settlement Agreement and Release (the "Settlement Agreement") is entered between the Smoky Mountain Center for Mental Health, Developmental Disabilities and Substance Abuse Services ("Smoky") and Evergreen Foundation (the "Foundation").

WHEREAS, Smoky and the Foundation (collectively, the "Parties") have been parties to a lawsuit filed in Superior Court in Haywood County, North Carolina with the file number 12-CVS-35 (the "Lawsuit") in which Smoky filed claims against the Foundation and the Foundation filed counterclaims against Smoky (collectively, "the Allegations");

WHEREAS, the Parties desire to compromise and fully and finally settle the Allegations that were raised in the Lawsuit and all other matters and claims by one or the other against the other, whether known or unknown, through the date of this Settlement Agreement;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in this Settlement Agreement, Smoky and The Foundation agree as follows:

1. Dismissal of Lawsuit. The parties will submit to the Court for its signature and filing a Consent Judgment that terminates the Lawsuit, including both the claims and counterclaims within ten (10) business days of the execution by both Parties of this Settlement Agreement.

2. Settlement Payment. In partial consideration of the mutual promises and covenants in this Settlement Agreement, the Foundation will pay Smoky the amount of one million dollars (\$1,000,000) in lump sum within 60 days of the entry of the Consent Judgment.

3. Rent Reduction. For a period of three years beginning July 1, 2014, the Foundation will not charge Smoky rent on that certain office building at 44 Bonnie Lane in Webster, North Carolina (sometimes referred to as being in Sylva, North Carolina, as considered by the U.S. Postal Service) (the "Bonnie Lane Building"). For a period of seven years thereafter, the Foundation will lease the Bonnie Lane Building to Smoky at an annual rent rate of eighty thousand four hundred dollars (\$80,400) to be paid on a monthly 1/12 basis, due on or before the 5th day of each month beginning in July 2017. The Foundation shall continue to offer to lease the premises to Smoky for those ten years unless Smoky terminates, or defaults upon its obligations under, the lease during that time frame. The full rent waiver and discount are conditioned on Smoky's occupation of the premises and its continuing to manage services within Cherokee, Clay, Graham, Haywood, Jackson, Macon and Swain counties (the "7 westernmost counties") in substantially the same manner as it does presently. This discount is solely for the benefit of Smoky and may not be assigned, nor the premises subleased, without the prior written approval of the Foundation. Should Smoky terminate its lease, or cease to manage services within the 7 westernmost counties in substantially the same manner as it does presently, the Foundation's obligation to extend the full rent waiver and discount shall terminate. Other than as noted, the terms of the existing lease, including rent, will govern. For purposes of this paragraph, "Smoky" includes any successor organization whose purpose is to manage publicly-funded MH/IDD/SA services within the 7 westernmost counties in substantially the same manner as Smoky does presently.

4. Resolution of Interpleader and Release of Funds. The Parties are Interpleader Defendants in an Interpleader action filed by Meridian Behavioral Health Services, Inc. in Superior Court in Haywood County, file number 12-CVS-154 (the "Interpleader Action"). In the Interpleader Action, the Interpleader Plaintiff sought to determine to which Interpleader Defendant it should pay rent for its occupation and use of a building located at 307 Broadview Street, Waynesville, North Carolina (the "Broadview Property"). Pursuant to a consent order entered on April 10, 2012, the Interpleader Plaintiff has been paying rent for the Broadview Property to the Haywood County Court Clerk. Within 15 days of this Settlement Agreement being fully executed, the Foundation will take the necessary steps, if any, to cause the release of those funds to Smoky. The Foundation also hereby relinquishes any and all claims to the Broadview Property and to adjoining real property in Haywood County that includes a building known as the "Old Hospital Nursing Quarters" (which became the "Haywood County Child and Family Services Building" and is referred to as the "East Street Property"), and to the betterments associated with the Broadview Property and East Street Property, as well as all future rents to be collected from tenants of those properties. The Parties will submit to the presiding judge in the Interpleader Action a Proposed Consent Judgment consistent with this paragraph within ten (10) business days of the execution by both Parties of this Settlement Agreement.

5. Mutual Release. Smoky, intending to be legally bound and in consideration of the obligations set forth in this Settlement Agreement, on its own behalf and on behalf of its officers and directors, hereby releases the Foundation from any and all claims, known or unknown, that Smoky ever had, now has, or hereafter can, shall, or may have for, upon or by reason of any matter, including but not limited to the Allegations, from the beginning of time through the date of this Settlement Agreement.

The Foundation, intending to be legally bound and in consideration of the obligations set forth in this Settlement Agreement, on its own behalf and on behalf of its officers and directors, hereby releases Smoky from any and all claims, known or unknown, the Foundation ever had, now has, or hereafter can, shall, or may have for, upon or by reason of any matter, including but not limited to the Allegations, from the beginning of time through the date of this Settlement Agreement.

6. Non-Disparagement. Each Party agrees that it will make reasonable efforts to prevent its directors, staff, and agents from downgrading, speaking adversely about, disparaging, or commenting derogatorily about, the other Party.

7. Press Release. The Parties will issue a joint press release in the form attached hereto as Attachment A within three (3) business days after the Court has entered judgment.

8. Smoky Appointment of Directors. Upon the full execution of this Settlement Agreement, Smoky shall nominate for appointment to the Foundation's board two (2) directors who are residents of the 7 westernmost Counties. The Foundation will vote to approve or disapprove such appointment(s) at their next regularly scheduled Board meeting following the nomination. Approval of the nomination(s) shall not unreasonably be withheld. None of Smoky's proposed appointees shall be concurrently members of Smoky's Board of Directors at any time during their tenure as directors of the Foundation.

9. Meet and Confer. Smoky's Chief Executive Officer or designee will be invited to attend the Foundation's board meetings and will meet and confer with the Foundation's Executive Director (or functional executive director), or designee, concerning applications or requests for grants received by the Foundation prior to each quarter in which the Foundation intends to issue grants; provided, however, that the Foundation is under no duty to suspend its grant-making should Smoky not avail itself of the opportunity to meet and confer. The Foundation will offer Smoky the opportunity to present recommendations for grants during the course of the Parties' day-to-day working relationship, consistent with the Foundation's funding methodology and guidelines, based on Smoky's knowledge and understanding of the service needs and gaps in the 7 westernmost Counties and how best to maximize and leverage existing federal, state, and local funding. In the event that the State of North Carolina reduces funding for MH/IDD/SA services, the Foundation will commit to a good faith consideration of applications for funding recommended by Smoky that are designed to offset the impact of state budget cuts in the 7 westernmost Counties.

10. Executive Director. The Foundation has recently completed a search for a new Executive Director, who commenced working in that position effective July 1, 2014. The Foundation agrees that, effective July 1, 2014, the previous Administrator/Executive Director, Tom McDevitt, has not and will not perform executive functions and will not participate in the grant-making process or policy surrounding grant-making now or in the future. In the unlikely event that the current Executive Director is unable to carry out the duties of job due to illness or death, Mr. McDevitt may serve as Interim Executive Director until the incumbent returns or a new Executive Director is hired, but in no event shall the previous Executive Director serve as Interim Executive Director or perform executive or grant-making functions for longer than six months. The parties agree that this provision shall not be used to circumvent the intent of the Agreement, *i.e.*, that Mr. McDevitt will not perform executive or grant-making functions on or after July 1, 2014. Smoky understands that Mr. McDevitt may be employed or under contract by the Foundation until June 30, 2017. The Parties agree that Mr. McDevitt will not be employed or contracted by the Foundation after June 30, 2017.

11. Foundation Purpose. The Foundation agrees that its purpose will always be to support MH/IDD/SA services in the 7 westernmost counties.

12. Fees and Costs. Each party shall bear its own attorneys' fees and costs related to the Lawsuit.

13. Representation and Warranty. Each Party represents and warrants that the person signing on its behalf has executed this Settlement Agreement with due authority.

14. Successors and Assigns. This Settlement Agreement shall inure to the benefit of and shall be binding upon the parties to this Settlement Agreement and their successors and assigns.

15. Amendments and Waivers. This Settlement Agreement may be modified only by a written instrument duly executed by each party. No breach of any covenant, agreement, warranty, or representation shall be deemed waived unless expressly waived in writing by the

party who might assert such breach. No waiver of any right hereunder shall operate as a waiver of any other right or of the same or a similar right on the same or another occasion.

16. Entire Agreement. This Settlement Agreement together with any writings delivered pursuant to this Settlement Agreement shall constitute the entire agreement between the parties with respect to the matters contained in this Settlement Agreement, and any other agreement with respect to such matters is superseded.

17. Severability. The invalidity of all or any part of any provision of this Settlement Agreement shall not render invalid the remainder of such provision or any other provision of this Settlement Agreement.

18. Counterparts. This Settlement Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Smoky Mountain Center for Mental Health,
Developmental Disabilities and Substance
Abuse Services

By: Rick French

Printed Name: Rick French

Title: Chairperson of the Board

Date Signed: 9-17-14

Evergreen Foundation

By: William M. Hydelaker

Printed Name: William M. Hydelaker

Title: Chairperson of the Board

Date Signed: 9/26/14

Smoky Mountain Center for Mental Health,
Developmental Disabilities and Substance
Abuse Services

By: Brian Ingraham

Printed Name: Brian Ingraham

Title: Chief Executive Officer / Area Director

Date Signed: 9/15/14

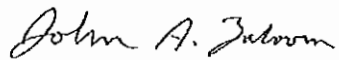
Evergreen Foundation

By: Denise O. Coleman


Printed Name: Denise O. Coleman

Title: Chief Administrator / Executive Director

Date Signed: 9/26/14



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Attachment A

Joint Press Release

**Evergreen Foundation and Smoky Mountain LME/MCO Reach
Accord**

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Evergreen Foundation
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dcoleman@evergreennc.org

Smoky Mountain LME/MCO (Smoky) and the Evergreen Foundation have amicably resolved a dispute between them that was the subject of two lawsuits filed in Superior Court in Haywood County.

Among other things, the resolution calls for the parties to consult regarding qualified candidates in Cherokee, Clay, Graham, Haywood, Jackson, Macon, and Swain counties to receive grants from the Evergreen Foundation. Such candidates include service providers or others in the community who support the provision of MH/IDD/SA services in the seven westernmost counties.

In announcing the resolution, Marty Hydaker, chair of the Evergreen Foundation board of directors, and previous director of Child and Family Services with Smoky stated: "This agreement paves the way for our board to work more closely with Smoky and its network of providers first to identify service needs in a comprehensive manner, and then to find ways to provide services and programs that cannot fully be supported by other state or federal funding sources."

Brian Ingraham, Smoky's CEO, notes: "Smoky is very excited about the opportunity to collaborate with Evergreen Foundation to continue to build a strong system of care in the seven westernmost counties and jointly promote the establishment of new and needed services and supports. This becomes even more critical in the face of diminished state funding that can hinder access to care for individuals who do not have Medicaid or other insurance."

"Combining Smoky's knowledge and understanding of the service needs and gaps in the seven westernmost counties -- and how best to maximize and leverage existing federal, state, and local funding -- with Evergreen Foundation's commitment to making the most effective use of its

grant-making ability will ultimately benefit the individuals and their families who need these vital services," Mr. Ingraham added.

Since 1973, Smoky has been the Area Authority charged with managing such services for the seven westernmost counties of North Carolina. In this role, Smoky works with community stakeholders, consumers, families and providers to identify service gaps and needs for additional services.

First established in 1977, Evergreen Foundation exists to support the ongoing development of mental health, substance abuse and intellectual and developmental services and programs to meet these identified needs -- primarily by acquiring and maintaining facilities to house service providers and programs in the seven westernmost counties. In recent years, the Foundation has embarked on a grant-making program that directly supports service providers in the seven counties.

The resolution encourages the parties to reestablish the close working relationship that was the hallmark of their earlier years. The focus and purpose of that cooperation has always been the goal of supporting individuals in need of mental health, substance abuse, and intellectual and developmental disability services in Cherokee, Clay, Graham, Haywood, Jackson, Macon, and Swain counties.

"Our organizations have a long history of working together," Mr. Hydaker said. "With the expertise of those involved, the seven westernmost counties can look forward to innovative initiatives made possible by this cooperative relationship."